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UNCLAS HARARE 001900

SIPDIS

STATE FOR AF/S  
USDOC FOR ROBERT TELCHIN  
TREASURY FOR OREN WYCHE-SHAW  
PASS USTR FLORIZELLE LISER  
STATE PASS USAID FOR MARJORIE COPSON

SENSITIVE

1E. O. 12958: N/A  
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SUBJECT: GOZ Promises Floating Exchange Rate to IMF

Sensitive but unclassified. Not for Internet posting.

11. (SBU) Summary: International Monetary Fund (IMF) Africa Director Abdoulaye Bio-Tchane said Reserve Bank of Zimbabwe (RBZ) Governor Gideon Gono indicated he has set September 2005 as the target month for introducing market-determined exchange and interest rates. End summary.

12. (SBU) Accompanied by Assistant Africa Director Sharmini Coorey, Bio-Tchane met the Ambassador on Nov 17 to seek out our views on economic and political developments. Bio-Tchane also met with President Mugabe on Nov 16, but the IMF official characterized this session as unremarkable. Bio-Tchane noted that he had met earlier with the British Ambassador, who said his country was cautiously prepared to reengage with Zimbabwe if discussions were not limited to assistance alone but also encompassed the full range of democracy, governance and human rights issues.

13. (SBU) Amb Dell said U.S. policy more or less paralleled that view. He added, however, that as long as the GOZ continues to engage in repressive tactics and undermine multiparty democracy, there would be real constraints on our ability to reengage with Zimbabwe. The Ambassador also expressed concern about the tactics and timing of the IMF process leading to a decision on Zimbabwe's compulsory withdrawal from the Fund. It would hand Mugabe a cheap propaganda victory on the eve of elections if an Executive Directors' vote in favor of withdrawal fell short of the required 85 percent level at the Fund's Board. One could easily imagine headlines here crowing about "IMF Approval for Mugabe's Policies." Thus, we need to be either very confident we could see the process through successfully or manage it to avoid a wrong outcome before elections here. In a separate conversation later that evening, RBZ Deputy Governor Nick Ncube acknowledged that the GOZ's US\$ 5 million quarterly payments toward its IMF arrears were mere "tokens."

14. (SBU) Bio-Tchane deferred the IMF's own assessment of Zimbabwe's economy until the conclusion of an upcoming staff visit, which Coorey will head in early December. However, Bio-Tchane volunteered that he urged GOZ officials to place more emphasis on fiscal controls, i.e. cutting public spending. Bio-Tchane said Gono assured him the GOZ would move to market-determined interest and exchange rates by September 2005. Bio-Tchane and Coorey disavowed government media reports that they "hailed the ongoing economic reforms" and were "happy with the progress made so far." They also denied assertions in the GOZ's Herald that the IMF has established a forecast of 5.2 percent GDP growth for 2005. In his post-visit press release, Bio-Tchane offered no appraisal of Gono's economic policies to date.

15. (SBU) Comment: Although Bio-Tchane was guardedly non-committal in advance of December's technical assessment, he seemed to look upon the GOZ's much-ballyhooed recovery with skepticism. The IMF official also appeared mildly dismissive of the GOZ's current official inflation rate of 209 percent. On the other hand, we have no doubt the GOZ seeks to gain maximum political mileage from this "economic turnaround," trumpeted almost daily in the state media. Referring to the IMF's upcoming decision on Zimbabwe's compulsory withdrawal, the Nov 18 Herald editorial proclaimed: "We. . . expect the IMF Executive Board to give the thumbs-up to the country." Without doubt, the GOZ will spin non-expulsion as endorsement of its economic management, providing a handy campaign plank for March's parliamentary electio